C2950-3
2/14/89

INDUSTRY OUTLOOKS '89: WHERE THE AD MONEY WILL GO

MARKETING & MEDIA DECISIONS

JANUARY 1989 • $4.00

**********5-DIGIT 20814
07111 001618614 93 000000
GREG CHRISTENSEN
CONGRESSIONAL INF SVC
4520 EAST-WEST HWY #800
BETHSEDA MD 20814
**
B168
B001

SYNDICATION
WHAT ADVERTISERS WANT

Promises made, promises paid? Advertisers feel syndication has let them down. Leo Burnett's Dick Hobbs (center), with clients Kraft and Seven-Up, is taking a hard look at barter.

MARKETING & MEDIA DECISIONS

COVER STORY

SYNDICATION: WHAT ADVERTISERS WANT 30

If syndicators expect barter to better its position among media buys, they should start listening to national advertisers. What they'll hear is a lot of grumbling and a list of grievances that must be dealt with before they'll see any substantially increased investments. This month, our overview asks those with buying power to speak up.

INDUSTRY OUTLOOKS

WHERE THE AD DOLLARS WILL BE IN 1989 42

In this first look at the year ahead, *Decisions* surveys analysts, economists, national advertisers and ad agencies regarding the outlook for ten major categories of advertising. In general, the mood is guarded, and plans remain centered on the short term and the quick fix. But while caution rules, some of the projections on spending are fairly bullish. Welcome to the new year.

TWELVE-MONTH EXPENDITURES 42
ALCOHOLIC BEVERAGES 44
APPAREL 46
AUTOMOBILES 48
BUSINESS EQUIPMENT 50
CIGARETTES 51
COSMETICS 54
DRUGS 56
FINANCIAL SERVICES 58
PREPARED FOODS 60
TRAVEL 62
READER POLL 64

WHO KILLED MERKURY 66

The car had everything going for it — a strong parent, a big agency, rave reviews and a pricing advantage against the competition. So why was the Merkur such a sales disaster?

WINDFALL FALLOUT 71

Your little agency has just won a huge account. Hurray — you hope. A lot depends on whether you can get your media department into gear to handle the accelerated pace.

DEPARTMENTS

LETTERS 4

Readers take issue with our issues on Hispanic tv and today's media planners.

PRO FILES 6

Ricki Kohn buckles in for Lexus, and Condé Nast's Darwin and Miller prepare to take CN into Middle America with *Woman*.

DIRECT MARKETING 10

AT&T's American Trantech unit uses results as the basis for rates in its telemarketing efforts, and third-class delivery gets a first-time joint study of its practices.

PRINT BEAT 17

On the eve of INAME: the *WSJ*'s high-tech sub sales . . . Color schemes for ROP and comics . . . Adding to ZIP plan . . . Audimate.

CREATIVE CONCEPTS 22

Interactive executions that involve the reader are more expensive than ever. They are also more widely used, sometimes at the expense of traditional print budgets.

FREEZE FRAME 26

Several cable companies are positioning themselves to go head-to-head with satellites as they expand their presence overseas. Agencies and advertisers have mixed reactions.

January 1989, Vol. 24, No. 1

BROADCAST BEAT 89

Post Olympic/election blues . . . Packaged goods losing clout . . . ASTA's 25% solution . . . 2001: A televison odyssey.

BOOKS, ETC. 92

Trout and Ries offer some obvious and not-so-obvious insights into formulating a marketing strategy.

SALES PROMOTION 96

A review of the fall's sales-promotion seminars reveals some new ideas and some new issues.

TOOLS OF THE TRADE 98

Finally, researchers have come up with standards for research in business-to-business magazine studies.

ON THE DOCKET 100

While the industry does its best to douse such efforts, it seems more likely than ever that liquor advertising will be seriously curtailed this year.

ECONOMIC EYE 102

Cable hits 53.8%, our magazine category scorecard and Media Cost Index for September.

LAST WORD 104

There is an intimate relationship between a corporate culture and its customer target.

AS THEY SEE IT

TELEVISION *Joel Segal* 77

The Summer Olympics of 1988 offer a case study of what can go wrong with a sure thing. But 1992 should be a happier story.

MAGAZINES *John Gray* 78

A buyer offers some practical ways for publishers to put a cap on rate increases

RESEARCH *Steve Sternberg* 82

A bit of playback and then fast forward as VCRs are factored into the television ad buy.

PLANNING *Michael Gross* 84

Irreverence aside, here one planner's ten commandments of media planning.

Cover subjects, left to right: Kathy Greif, Leo Burnett; Stephen Rutledge, Kraft; Cassandra Reese, Kraft; Dick Hobbs, Leo Burnett; Nick Luciano, Seven-Up. Photo by Terry Lee/Black Star.

MARKETING & MEDIA DECISIONS (ISSN0195-4296) January 1989, Vol. 24, No. 1 Copyright © 1989. Decisions Publications Inc. Published monthly. Executive, editorial, circulation and advertising offices at 1140 Ave. of Americas, New York, N.Y. 10036 (212) 391-2155. Available without charge to those personally involved in media decisions at major agencies and advertiser companies. For others, subscription prices are: U.S.A. $48 for 12 issues. Canada $60. Overseas $70 (surface mail). Airmail — add $70. Single copy $4.00. All overseas copies are paid. Second-class postage paid at New York, New York, and additional mailing offices. Postmaster: Send address changes to Marketing & Media Decisions, P.O. Box 6069, Duluth, MN 55806-9769.

SYNDICATI

WHAT ADVERTISERS WANT

After a decade of explosive growth, questionable practices are causing advertisers to reconsider their commitment to the barter business.

by Joe Mandese

As they packed their bags for the National Association of Television Program Executives conference in Houston this month, major tv advertisers implied that, despite the remarkable growth of the $1 billion barter business, all is not well with their syndication buys. Their mood seems to range from exasperation to outright truculence. What's wrong? For starters, clients are unhappy over the ratings of barter shows, the wide discrepancy between projected and actual audience delivery and the overall quality of syndicated programing.

"Syndicators are missing a great opportunity," exclaims Mobil Oil media executive Paul Gerkin. "They have a chance to get a leg up on the networks in terms of putting on some really good first-run material, and I don't mean another game show and I don't mean reruns. And they're not really doing it." He continues, "They're not living up to their promise of a few years ago. Why aren't they developing more things like Operation Primetime? [A series of network-quality miniseries produced for first-run syndication by Television Program Enterprises.] There are opportunities in the marketplace, and if they don't take advantage of them, cable will."

Indeed, Campbell Soup director of media services George Mahrlig maintains that his company, a significant syndication player, is reviewing its commitment to the medium. "We're coming to the conclusion that the bottom of the syndication pile isn't worth buying, and the top is overpriced," he says. "The top shows are priced like network, so why not buy network tv, which has one-third less commercial clutter?" he asks. "If things don't shape up," he warns, "we will reduce our syndie budget significantly."

In response, syndicators argue that their medium still is being underutilized by national advertisers in proportion to their share of national tv viewing. "Right now, the national tv marketplace is valued at $10 billion-$11 billion," figures Brian Byrne, president of International Advertising Sales, a barter rep firm, and the executive director of the Advertiser Syndicated Television Association. "The networks represent only 65% of the viewing in that marketplace and therefore should be taking in somewhere between $6.5 billion and $7 billion," points out Byrne. "First-run barter syndication represents about 26% of the viewing, and ad-supported cable networks represent another 9%-10%. That means we should be taking in $2.6 billion, but advertisers continue to put a greater demand against network inventory than what it actually represents in terms of their viewing share," he complains.

However, Leo Burnett senior vice president and media director Dick Hobbs, who represents the biggest syndication budget (nearly $250 million), says there are aspects to barter programing, distribution and sales practices that still dictate a discount over network CPMs. "From our clients' standpoint, we have very little interest in syndication if the price is the same as network, because syndication inherently has problems," he states. As he sees it, barter syndication "doesn't clear as many markets as network, and the ratings vary more by market than network does. On average, the program quality is not as good as network. And most of the programs clear on different days and different times in each market," he explains. Therefore, in Hobbs' opinion, "if it got to the point where the prices were very close to network, we would not buy it."

ADAM CHINITZ

Campbell's Mahrlig (left) and BBDO's Blasius liken the chances of new shows to the title of Buena Vista's game show Win, Lose or Draw.

Most buyers agree with Hobbs that while syndication has become an important tool, it will remain so only as long as it meets their buying parameters, including pricing. The following are specific areas advertisers would like to see improved, maintained or developed to keep syndication in good stead with their media plans.

REALISTIC GUARANTEES

No. 1 on virtually every advertiser's syndication wish list is the desire for more realistic audience estimates and guarantees for new and returning programs. "It's my pet peeve with syndication," declares Pillsbury media director Greg Lincoln. "We typically see 30%-40% shortfalls on shows, whether they are new or established, versus the guarantees the sellers are estimating. I understand why they are doing it," continues Lincoln. "They're doing it because if a show takes off, they're protected for their income on the high side. On the other hand, we the advertisers are getting screwed 90% of the time."

Although syndicators provide "make-good" spots or rebate cash to buyers for the audience underdelivery, advertisers complain that it plays havoc with their media plans. They say that frequently, the audience deficiency units are not available in the quarter or during the flight that the buyer needs to achieve their marketing objectives. "It's compromising the integrity of our advertising plans and our ability to sell product," charges Lincoln.

"We're not making syndication deals to get cash back," concurs Campbell's Mahrlig. "We wouldn't give them the money in the first place if we didn't want to reach the audience

they promised."

Mahrlig says Campbell's has actually offered to pay more for "realistic" audience projections. "I would be willing to take something like 1%-2% of our corporate dollars and put them aside to cover the 10% upside potential that one in ten of the shows is going to be a hit," explains Mahrlig. But he notes, "None of the syndicators want to give it up."

While buyers have learned to live with inflated audience projections, they say the games they have to play to protect themselves diminish the credibility of syndication buys. Since many of the barter reps are obliged by their licensing contracts with program producers to sell shows at overly optimistic ratings levels, they normally will work with buyers to build caveats into deals to protect them from audience shortfalls. The most common ploy is "recapturable units," which are bonus spots above the buyer's ratings goals that are used in the event of underdelivery. If the show makes or betters its ratings guarantee, the syndicator recaptures the units and sells them off in the scatter market.

O&M's Greenberg: Long delays in syndie post-buys are unacceptable.

Other advertisers simply factor in the audience delivery and buy more units than they actually need. If the show makes its ratings targets, the buyers exercise cancellation options.

Agencies charge that such practices actually discourage clients from buying syndication. "What you end up with is a basketfull of make-goods or credits," notes DDB Needham senior vice president and director of national radio and television programing Bart McHugh. "Then your next flight comes along and the client says, 'What do I have to buy anything for? I've got all these make-goods. Let's just use those,' " explains McHugh.

BETTER RATINGS REPORTING

Exacerbating the audience guarantee problem is the fact that accurate information on audience delivery has been coming in late — often after the quarter that a syndicated buy was made for — making it difficult for agencies to post buys and negotiate audience deficiency units when they are needed. "We'd like to see if there is some way that syndicators can provide more timely ratings information," hopes Charles Lamphear, media director of Heinz.

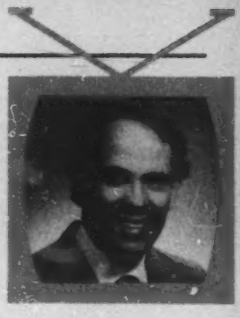
"The damn stewardship of our buys has become such a pain because we don't know what we're getting," agrees Dan Riordan, broadcast manager of Lever Brothers. "We don't know if we're short or if we're on target." This is also a problem for Ogilvy & Mather's Alice Greenberg. "The major problem is the length of time that it takes for us to get some decent information," she says.

According to Greenberg, O&M's senior vice president and director of network negotiation, syndication buys ideally should take about two weeks to post once the ratings are reported. However, she says that there were cases during 1988 that took as long as nine months because of faulty ratings data. "That's real tough to report to the client," she moans.

While Nielsen accepts some blame for the lag in ratings reporting, the company attributes the situation to a combination of outside factors. These include inconsistent programing schedules during the fourth-quarter due to the Olympics, elections and tv writers strike, as well as special analysis and reprocessing requests from syndicators.

Nielsen must check each program clearance in the station lineups of syndicated shows for conflicts. (Frequently, more than one show claims credit for clearing the same station at the same time.) In a normal programing week, Nielsen says it must check 9,000 conflicts, but because of the unusual program scheduling situation last fall, it averaged about 20,000 conflicts each week.

Moreover, almost half of all syndicated buys include "with spot ratings" — additional spots that do not appear in the show syndicated — which require special analyses by Nielsen. Normally such reports are available two to three weeks after the weekly syndicated ratings pocketpiece hits the street, but they also have been delayed.



Mobil's Gerkin believes syndicators are missing the boat.

BIGGER RATINGS

"Our clients are getting tired of the 2- and 3-rated shows," declares Foote, Cone & Belding vice president and group supervisor David Lerner. Lerner points out that while the top syndicated shows still command high ratings, the average ratings of such programs has slipped significantly over the last few years due to increased competition.

Indeed, according to an ABC tv network analysis, the average household rating for syndicated shows has declined 16%, from a 3.7 in 1982-83 to a 3.1 in 1987-88. With the exception of *Jeopardy* and *People's Court*, all of the top-ten syndicated shows declined in ratings. Moreover, ABC finds that unlike network shows, ratings for syndicated shows fluctuate dramatically by market. *Jeopardy*, for instance, averaged a 20 rating in Cleveland and Detroit, but a 6 rating in Atlanta, Houston and San Francisco during the November 1987 and February and May 1988 sweeps.

BETTER LINEUPS

The declining and fluctuating ratings are due, in part, to poor station lineups for some syndicated shows. Because many of the good time slots are already occupied on the better stations, new shows often are cleared in poor time periods on strong stations, or in good time periods on weak stations.

"A syndicator may put Philadelphia on their lineup, but when you really go in and look at it, the station isn't even

in Philadelphia," notes Griffin Bacal senior vice president/director of media, marketing and programing services Lorretta Volpe. "The station may be in Camden, N.J., but they list it as Philadelphia because it spills into the market. So, unless you really scrutinize the clearance list, you could get hurt."

BROADER DEMOGRAPHIC APPEAL

Aside from bigger and more accurate ratings, advertisers say they would like to see syndication alternatives that appeal to broader audience segments. While many syndicated shows have strong appeal for some key segments like adult women and kids, others are virtually overlooked by syndicators.

"About 95% of the syndicated properties that are out there are not right for us," says AT&T corporate broadcast manager Doug Ritter, noting that his telecommunications company is seeking shows that appeal to upscale professional males. "Things like the *National Geographic* specials tend to work well for us," he continues. "I find it hard to believe that there isn't a market for these types of shows, because if you take us and IBM and Xerox and a whole host of other folks after the same target groups, why not choose syndication? I have to believe that the syndicators must have determined a long time ago to neglect our market."

BROADER DAYPART DEVELOPMENT

Buyers say they would like to see stronger latenight product to compete with the spiraling costs of the network daypart. "We think it is a daypart that seems to be in need, and there doesn't seem to be as much quality programing as there should be," feels Bob McPhee, senior media buyer of Thomas J. Lipton Co.

More and better latenight alternatives are on the wish list at Pillsbury too, says Greg Lincoln. "We'd like to see latenight programs that are not 'slasher' movies or tasteless comedies, because the network latenight market is out of control in terms of pricing," he adds.

INNOVATIVE PROGRAMING

"There are too many shows of the same type," bemoans Richard Pike, director of advertising services of Beatrice Hunt-Wesson. "If someone comes out with a successful concept, everyone jumps on it. For a while, it was game shows. I think there is a need for more innovative thinking, both in terms of the types of programs and maybe in the way they market them to stations."

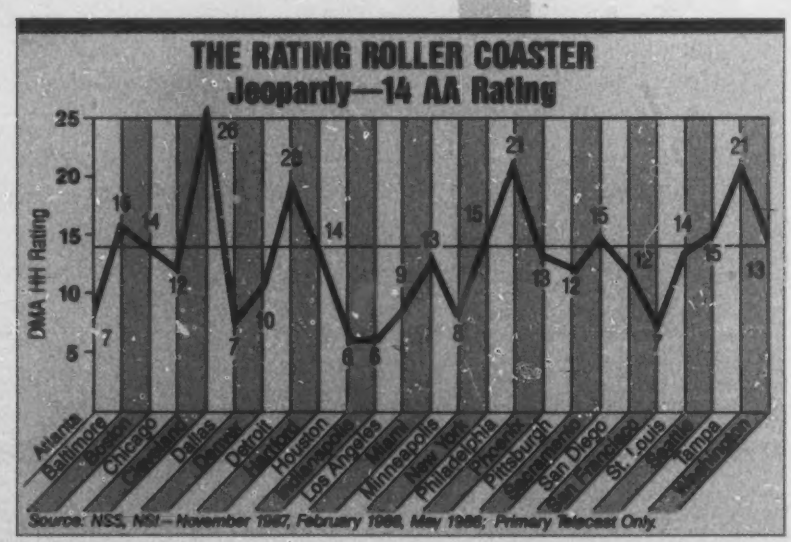
"We've had two NATPEs in a row that were mediocre," charges FCB's Lerner. "There were no breakthroughs or standout programs, and the new season hasn't produced any new hits. The excuses were given that all the good time periods were encumbered, so people were going to lay low and wait. Well," notes a frustrated Lerner, "a year or two has gone by, and we still haven't seen or heard of anything dynamic coming out."

FCB's Lerner says clients are getting tired of "2- and 3-rated shows."

BETTER ENVIRONMENTS

While advertisers would like to see new breakthrough programing offered by syndicators, they caution that it should be a wholesome environment for their advertising messages. "The proliferation of the tabloid journalism type shows is a concern of ours, and we hope that there will be a lot less of that this year," states Bob Bolte, Clorox's director of media services. However, the hopes of advertisers like Clorox will likely be dashed, judging by the program development information announced to date by syndicators.

"Unfortunately, what is being introduced by the bigger firms are the tabloid-tv type shows," notes BBDO's vice president and associate director of network programing, Larry Blasius. He adds, "That's unfortunate, because a lot of clients can't get near stuff like that. The shows may draw good ratings, but if the content isn't right, it doesn't count."



LESS CLUTTER

Aside from the program environment, advertisers say they are concerned with state of the commercial environment in syndicated shows. "The creeping rise of commercialization is a major concern of ours," underlines Clorox's Bolte. "Off-network situation comedies have as many as seven :60s in them, whereas when they are on network, they have only three."

According to ABC's analysis, half-hour syndicated shows like *Wheel of Fortune* and *Jeopardy* carried seven minutes and ten seconds and seven minutes and 30 seconds, respectively, of commercial time, whereas ABC half-hour prime-time shows average only four minutes and 30 seconds. Hour-long shows like *Oprah Winfrey* and *Star Trek: The Next Generation* had 14 and 12 commercial minutes, respectively, while ABC prime-time hours average only nine.

THE COMMERCIAL OVERLOAD
Ad Time, Syndication vs. ABC

	# Commercial Minutes			
Per half hour:	National	Local	PCAs*	Total
Wheel of Fortune	1:00	5:30	:40	7:10
Jeopardy	1:00	5:30	:60	7:30
ABC Prime-Time Half Hour	3:30	1:00	–	4:30
Per hour:				
Oprah	2:00	12:00	–	14:00
Star Trek	7:00	5:00	–	12:00
ABC Prime-Time Hour	7:00	2:00	–	9:00

*Source: ABC Network; *Promotional consideration announcements.*

ENTITLEMENT OPPORTUNITIES

To help break through the rampant commercial clutter, some buyers would like to see more opportunities to associate themselves as sponsors of shows. "The prime reason that we use syndication is so that we can have a sponsorship in the show and become very visible, which is something that you can't really do with network," says Christopher Wackman, director of advertising for Subaru of North America.

According to Wackman, network packages often are too expensive for advertisers to buy into. "With syndication, we are able to develop an event that is an entertaining show for the public but also meets our needs by giving us something more than just a 30-second commercial," explains Wackman. Although Subaru has been successful in developing several syndicated sporting events through GGP/GGP Sports, Wackman says there is a paucity of such opportunities relative to the demand.

MERCHANDISING OPPORTUNITIES

Since syndication often is bought for efficiency reasons, few of the shows offer merchandising opportunities that tie the sponsor closer to the program. Game shows occasionally plug prod-

BARTER'S BREAKOUT

ACCESS

Program	Distributor	Terms
Betcha	Viacom	Cash-plus barter
5-4-3-2-Run	D.L. Taffner/Ltd.	Barter
Inside Edition	King World	Barter
Lassie	MCA TV	Barter
Make Your Move	Worldvision	Cash-plus barter
National Lost and Found	Qintex	Barter
$Reward$	MCA TV	Cash-plus barter
*Star*Play*	MCA TV	Cash-plus barter
The Joan Rivers Show	Tribune Entertainment	Cash-plus barter

FRINGE

Program	Distributor	Terms
American Gladiators	Samuel Goldwyn	Barter
Celebrity Secrets	Casablanca IV	Cash-plus barter
Crime Diaries	Qintex	Barter
Eye Q	Palladium Entertainment	Cash-plus barter
Jackpot!	Palladium Entertainment	Cash-plus barter
Roller Games	Qintex	Barter
The Kenny Rogers Show	Barris Program Sales	Cash-plus barter
The Super Mario Brothers "Super" Show	Viacom	Barter

MISCELLANEOUS

Program	Distributor	Terms
After Hours (latenight)	Worldvision	Barter
Pictionary (TBA)	Quantum Media Inc.	Barter
The Beverly Sills Show (TBA)	GTG	Cash-plus barter
The New Archies (Weekends)	Claster Television	Barter
Trial By Jury (TBA)	Viacom	Cash-plus barter

ucts in program, but with the networks talking up an array of value-added concepts, buyers think syndicators will have to follow suit.

"Merchandising has become more important to the mix," notes FCB's Lerner. He suggests, "Maybe it's time to begin using stars to make public appearances for sponsors."

Lever Bros.' Riordan believes such developments will soon become a factor for the top syndicated shows, which are commanding close to network prices, "because they are less of a tonnage buy than the lower-rated shows."

Worldvision, meanwhile, plans to introduce an undisclosed "advertiser-intensive" show at NATPE that would be loaded with such opportunities. According to Worldvision senior vice president of marketing Gary Montanus, the show, a weekly magazine format, will be identified with a primary sponsor and will have program segments structured around different advertisers. The firm also plans to market a videocassette spin-off of the show that would also promote the sponsors.

IMPROVED SALESMANSHIP

While there are a host of other, lesser advertiser issues, the biggest area of concern voiced by buyers is the lack of "professionalism" by some barter-sales organizations.

"A lot of times the salespeople don't even know their product," notes one client. "I mean, some of these guys will walk in your door, and the first thing out of their mouth is that he'll give you a 14 rating guarantee. Well, so what? That should be the last thing he discusses. They should be talking about the concept of the shows and how they are being positioned in the marketplace and why it will work for you as an advertiser."

Gillette media director Tom Lux, on the other hand, is concerned by the treatment that long-term upfront buyers get from barter reps. "I'd like to see syndicators begin honoring their charter advertisers," he says, emphasizing, "If you're a charter advertiser on a program, you should expect some special rights when you renew the following year."

Concurs Bobhot Communications executive vice president of entertainment Shelly Hirsch, "There should be a certain benefit to those advertisers who commit long-term on a multiple-quarter basis." But he adds, "People who come into the syndication market on a scatter basis get the same guarantees." In his view, "Why should they get the same benefit for short flights as the guy who puts his money down for the long haul? If the syndicators continue to do business this way, they're going to drive people away from buying syndication upfront." ■

Stay tuned for part two: The syndicators respond.

Can't sell them? Send them to our Orange County store. Everything sells there..."

Orange County is the nation's 13th largest retail market, ahead of San Diego and San Francisco.
(Source: S&MM, 1988 Survey of Buying Power)

THE ORANGE COUNTY Register
METROGROUP

The leading medium in Southern California's richest market. Represented by CWO&O

KIWANIS MAGAZINE

KIWANIS magazine delivers a unique, quality audience of top executives, small-business, professional, and community leaders.

Highlights, as of June, 1987, of our business readers include:

52.6% stocks
18.1% bonds
62.6% IRS's or KEOGH's
44.1% other pension plans
43.3% mutual funds
40.0% Money market funds
39.3% U.S. savings bonds
34.1% C.D.'s
4.1% U.S. treasury notes

79.3% Have purchasing influence/make purchasing decisions for their firms

For additional information concerning Kiwanis, KIWANIS magazine, and this unique, quality audience of top executives, small-business, professional, and community leaders, please write or call:

Kiwanis International
3636 Woodview Trace
Indianapolis, IN 46268-3196
Attention: Pat Hatcher, Advertising Director
Phone: 1-800-445-3925
In Indiana: 1-800-638-7436
or 1-317-875-8755
TELEX: TXW 810-341-3471
FAX: 317-879-0204

Source for all statistical data: A.C.M.S., 6/87 Subscriber Study Report.

The Biggest Spenders

BAR/LNA MULTI-MEDIA SERVICE
RANKING REPORT/PARENT COMPANIES RANKED ON: 1987/1988 9-MEDIA TOTAL
JULY–JUNE 1987/1988

Rank	Parent Company	9-Media Total $ (000)	Bar Network Television $ (000)	Bar Spot Television $ (000)	Bar Syndicated Television $ (000)	Bar Cable TV Networks $ (000)	Bar Network Radio $ (000)	LNA Magazines $ (000)	LNA Newspaper Supplements $ (000)	Media Records Newspapers $ (000)	LNA Outdoor $ (000)
Alcoholic Beverages	Total	1,168,190.5	500,176.2	253,729.7	29,341.1	38,809.5	21,697.0	215,755.5	9,212.6	35,344.9	64,124.0
1	Anheuser-Busch Cos. Inc.	338,545.2	192,526.4	71,431.1	7,117.5	21,035.9	19,302.7	11,453.2	12.3	8,631.2	7,034.9
2	Philip Morris Companies Inc.	179,421.9	124,048.1	36,390.8	1,147.4	6,212.6	--	2,363.0	--	6,010.5	3,249.5
3	Coors Adolph Co.	100,044.1	49,857.2	36,398.6	3,867.6	3,011.3	8.4	2,261.5	--	1,325.6	3,313.9
4	Seagram Co. Ltd.	71,404.6	21,159.6	1,019.4	3,289.9	200.5	203.1	29,430.8	1,425.7	3,264.5	11,411.1
5	Grand Metropolitan PLC	65,585.5	--	5,124.7	--	275.6	--	48,333.3	2,474.8	3,268.8	6,108.3
Apparel	Total*	434,336.2	123,433.1	41,071.9	9,822.5	11,480.1	3,010.7	220,624.8	12,830.8	8,373.7	3,688.6
1	Sara Lee Corp.	78,907.4	45,527.2	1,133.6	1,941.9	1,340.0	2,393.5	25,537.1	358.3	663.1	12.7
2	Levi Strauss Associates Inc.	38,111.5	16,432.6	6,594.0	3,184.2	4,202.6	617.2	6,997.7	--	44.3	38.9
3	VF Corp.	29,484.7	15,434.0	3,764.4	231.0	603.3	--	9,092.8	71.1	99.3	188.8
4	Farley Industries	22,361.3	14,666.3	1,989.6	1,293.1	1,086.5	--	2,945.1	218.0	153.0	29.7
5	Wickes Cos. Inc.	13,280.7	9,421.1	205.2	1,172.3	389.3	--	1,774.0	46.9	289.3	22.0
Automobiles	Total	3,461,690.0	1,057,524.6	1,193,066.5	27,529.2	41,518.7	42,094.8	671,308.8	15,711.2	400,652.1	12,254.1
1	General Motors Corp.	708,261.3	274,070.3	136,496.2	5,612.4	6,687.4	17,626.6	158,161.0	7,452.8	99,497.7	2,656.9
2	Chrysler Corp.	375,850.2	171,558.0	43,139.5	2,439.7	9,215.7	10,236.5	110,454.5	4,635.7	22,302.5	1,868.5
3	Ford Motor Co.	365,684.8	165,647.2	49,865.7	5,774.3	5,019.9	5,148.0	112,449.6	42.8	19,739.1	1,998.2
4	General Motors Corp. Dealers Assn.	175,238.3	--	159,172.2	--	--	--	18.7	--	16,005.8	41.6
5	Toyota Motor Corp.	162,243.6	60,035.2	56,052.8	6,638.8	2,245.1	2,301.6	27,629.7	589.6	5,315.3	1,435.7
Business Equipment	Total	470,955.6	152,572.0	26,869.8	1,096.0	6,981.1	16,082.6	221,983.2	2,594.4	50,832.2	1,943.5
1	International Business Machines Corp.	108,207.0	52,901.6	1,973.4	--	318.5	4,739.0	29,665.6	1,725.9	16,829.4	33.6
2	Apple Computer Inc.	44,330.7	23,456.7	2,667.5	360.2	--	--	8,234.2	117.5	9,467.4	27.2
3	Xerox Corp.	32,622.7	14,175.9	5,614.0	--	408.6	--	10,380.7	35.4	1,990.2	17.9
4	Tandy Corp.	26,724.5	19,054.5	9.5	--	445.4	69.7	6,988.5	84.2	92.7	--
5	Canon Inc.	25,077.9	6,400.4	773.7	--	296.4	--	15,397.9	124.0	1,979.4	105.1

Rank	Parent Company	9-Media Total $ (000)	Bar Network Television $ (000)	Bar Spot Television $ (000)	Bar Syndicated Television $ (000)	Bar Cable TV Networks $ (000)	Bar Network Radio $ (000)	LNA Magazines $ (000)	LNA Newspaper Supplements $ (000)	Media Records Newspapers $ (000)	LNA Outdoor $ (000)
Cigarettes	Total*	616,556.1	743.0	7,272.5	646.8	677.3	2,893.5	328,033.2	32,654.8	68,065.6	175,569.4
1	Philip Morris Companies Inc.	264,439.3	--	--	--	2.2	--	168,467.5	10,423.3	37,899.2	47,647.1
2	RJR Nabisco Inc.	164,582.8	--	--	13.2	--	--	89,073.8	7,733.8	8,821.1	58,950.9
3	Bat Industries PLC	60,188.1	--	11.1	--	--	--	25,662.9	2,897.9	11,194.0	20,422.2
4	Loews Corp.	56,608.5	--	--	--	--	--	15,610.9	7,900.0	3,402.1	29,695.5
5	American Brands Inc.	37,350.4	--	--	--	--	--	17,308.1	2,560.1	4,933.8	12,550.4
Cosmetics	Total	1,896,939.1	881,954.6	266,522.6	124,102.2	57,371.6	23,009.2	497,615.3	19,789.9	24,309.0	2,264.7
1	Procter & Gamble Co.	286,610.3	122,899.1	85,276.3	18,000.3	11,555.5	3,194.1	42,830.2	283.4	2,516.0	55.4
2	Unilever NV	109,526.3	53,532.5	10,959.1	9,852.4	1,629.9	4,108.8	27,798.8	--	1,611.5	33.3
3	Bristol-Myers Co.	100,632.6	44,645.0	3,159.6	16,809.3	1,699.7	--	32,625.3	--	1,693.7	--
4	Cosmair Inc.	84,830.6	32,568.4	18,977.9	210.9	10.1	801.1	31,149.3	963.9	139.9	9.1
5	Revlon Group Inc.	84,803.0	33,732.4	4,084.9	4,082.8	79.3	702.3	38,182.7	2,872.1	1,066.5	--
Drugs	Total	1,422,179.1	776,231.5	239,520.9	81,437.4	43,519.9	76,161.8	143,472.1	7,474.5	51,646.4	2,714.6
1	Johnson & Johnson	158,526.5	119,074.9	6,028.3	11,198.7	2,292.0	--	16,644.5	1,304.4	1,908.3	75.4
2	American Home Products Corp.	140,144.0	112,306.1	9,246.5	884.7	4,415.9	4,034.3	7,153.8	69.6	2,033.1	--
3	Procter & Gamble Co.	108,666.2	43,688.3	27,293.1	8,996.5	5,690.8	12,893.5	8,688.2	--	1,336.8	79.0
4	Bristol-Myers Co.	89,164.8	63,885.4	4,876.8	11,701.4	3,368.7	--	4,135.2	--	1,197.3	--
5	Warner-Lambert Co.	83,758.1	44,982.7	16,773.2	4,738.9	1,271.2	7,032.1	6,999.3	1,064.5	894.1	2.1
Financial Services	Total	1,112,254.6	250,441.7	217,356.0	8,102.0	18,449.3	24,255.5	167,822.1	9,610.2	392,796.8	23,419.0
1	American Express Co.	150,267.8	64,818.1	27,551.2	2,711.9	2,048.8	4,138.5	24,369.4	2,186.6	22,435.9	27.4
2	Citicorp	76,552.8	25,298.2	21,905.0	175.2	1,007.9	1,310.0	12,460.5	131.8	14,119.7	144.5
3	Sears Roebuck & Co.	46,585.4	26,782.8	3,331.4	1,150.1	1,374.2	9,015.3	3,235.8	--	1,643.1	52.7
4	Merrill Lynch & Co. Inc.	43,571.9	31,039.6	50.1	--	311.2	--	6,395.3	620.0	5,130.1	25.6
5	Mastercard International Inc.	32,440.6	20,367.5	1,993.7	--	468.7	--	6,600.5	2,463.2	504.0	43.0
Prepared Foods	Total	1,224,440.1	646,460.9	332,707.8	65,724.5	30,336.7	22,810.4	78,302.6	5,237.7	42,082.6	746.9
1	Kellogg Co.	341,972.9	259,391.3	50,379.1	16,097.4	4,187.5	--	4,899.4	92.4	6,925.8	--
2	General Mills Inc.	222,399.1	87,092.8	100,113.7	3,748.7	11,884.5	2,743.3	8,179.1	--	8,637.0	--
3	Philip Morris Companies Inc.	120,164.3	66,805.8	18,849.9	18,435.7	4,782.3	1,214.8	7,417.4	611.4	1,998.7	48.3
4	Campbell Soup Co.	91,123.1	45,864.6	14,347.4	4,421.4	1,680.3	10,613.2	10,705.0	242.0	2,881.6	367.6
5	Quaker Oats Co.	68,011.6	34,387.3	14,498.3	6,667.7	758.5	--	8,671.1	765.7	2,258.5	4.5
Travel	Total	1,552,349.7	176,976.2	265,269.6	1,783.8	17,672.3	32,650.7	272,736.6	22,167.6	713,518.1	49,574.8
1	AMR Corp.	85,528.6	29,443.3	17,851.3	--	810.3	1,145.6	6,441.3	147.8	29,505.3	183.7
2	Texas Air Corp.	83,644.4	13.0	11,194.1	--	160.4	--	2,598.9	210.7	67,762.2	1,705.1
3	UAL Corp.	60,915.5	28,331.5	9,067.0	--	1,735.8	2,833.5	8,462.2	110.2	10,292.2	63.1
4	Delta Air Lines Inc.	59,357.2	20,178.0	11,313.4	--	2,297.4	--	1,067.2	--	23,211.3	1,289.9
5	Holiday Corp.	49,967.9	21,053.8	2,782.8	--	1,416.2	10.9	4,036.6	21.6	15,831.4	5,014.6

Note: Bar Cable TV Media data was added to the data base in 1985, Bar Syndicated TV in 1986 and Media Records Newspapers in 1987.
© Copyright 1988 by Arbitron Ratings Co., Leading Nat'l Advertisers, Inc., Publ. Information Bureau, Inc. and Media Records
**Note: Less Procter & Gamble and Kimberly-Clark disposable diapers.*
**Note: Includes tobacco products and accessories.*

Alcoholic Beverages

by Anitra Brown

The drug bill passed by Congress requires drunk driving and fetal alcohol syndrome warnings on every container of beer, wine and spirits sold in the country effective this November. It is the latest blow to the beleaguered alcoholic beverage industry, which is struggling with lower demand and more regulation. Marketers fear the next step will be warnings in all advertising — or even a ban on broadcast for beer and wine (see "On the Docket," pg. 100).

With a few exceptions, the volume end of the business with big ad budgets is in trouble. The bright spots are in small, high-quality products — varietal wines, single-malt Scotch and micro-brews.

Domestic brewers are still looking for the way to stem Anheuser-Busch's growing share of the beer market. Imported beers have flattened as yesterday's Mexican superstar, Corona, heads back south. Coolers are the biggest disaster, while spirits marketers are struggling with dramatically changing drinking patterns that erode a few percentage points off the business every year. The jug wine market is also struggling with lower demand. California varietals — particularly white zinfandel and chardonnay — are having a field day, but receive little ad support.

With this environment, total ad expenditures on alcoholic beverages will be down in 1989. The biggest cuts are coming in coolers, whose nosedive has stunned the industry. Cooler spending peaked at $151 million in 1986, according to *Impact Databank*. It was about half that in 1988, and marketers are looking for another 50% slash in 1989. Marginal brands have been driven from the marketplace; also-rans can't support big budgets anymore; and the survivors — Seagrams and Gallo's Bartles & Jaymes — are looking to improve their profits. The biggest cuts will be in expensive network buys.

One interesting exception is Miller's Matilda Bay. That brand is spending disproportionately to its volume, with an eye on capturing the number three spot.

The beer market has been gaining share of alcoholic beverage expenditures, growing from 47% in 1980 to a 65% share currently. Beer has the volume to support big ad bucks (around $850 million), but the market is drying up and ad spending is expected to follow.

Look for Budweiser to press its advantage and fatten its $350 million-plus budget. Number-two Miller is likely to be down slightly from the $200 million level. Coors, the third-largest spender (but fifth in volume), completed its national rollout, so spending will be lighter.

New products have been getting attention, so look for more support behind Miller's Genuine Draft. Japanese-inspired dry beers are still an unknown quantity.

Overall, network tv will gain share of beer advertisers' budget, nudging towards a 50% share of medium. Sports programing will continue to be the favored format.

Distilled spirits' share of ad expenditures has shrunk dramatically in the eighties, from 38% in 1980 to less than 20% today. Expenditures have dropped from $386 million in 1982 to less than $250 million today. Further cuts of 5%-7% are expected in 1989.

The industry has gone through a painful period of mergers,and those left are trimming their portfolios to concentrate on profitable, premium brands. Witness Seagram's jettisoning 25 "non-premium" brands, such as Nikolai vodka and Four Roses whiskey.

An exception to this mood of austerity exists at Carillon Importers, whose Absolut vodka is setting new ad standards. The low cost of producing vodka compared to aged whiskies and Absolut's high price helps.

With broadcast off limits, magazines have the lion's share of spirits budgets — well over two-thirds. Magazines will continue to gain at newspapers' expense as marketers concentrate on image-building and reduce the couponing efforts that have given some revenue to the dailies.

Spending on wine has dropped in the eighties along with consumption. Now the only one really anteing up is vertically integrated Gallo, which spends roughly $30 million on its wines every year. Television, both network and spot, gets almost all the budget at holiday times. This year, Gallo will probably give extra support to its varietal wines, the fastest growing, most profitable segment of the California wine industry.

The other major jug wines — Taylor California Cellars, Almaden and Masson — have cut ad investments so they can compete on price with Gallo. Also, look for more use of print from Masson as it tries to rebuild a premium image through its varietals.

Premium wines traditionally rely more on public relations than ads. There will be some action from the larger producers (Chateau Ste. Michelle, Beringer Vineyards) as they experiment with spot radio and print, but it will be a drop in the bucket by Gallo standards. ■

Apparel

by Carol Hall

The apparel industry has experienced a sales slump since mid-1987, and forecasters say it will continue through next year. As a result, apparel makers, who spend most heavily in newspapers, magazines and direct-mail, will hold tight with ad dollars.

In 1987, the industry had total sales of $151.9 billion, according to the Department of Commerce. The 1988 total is expected to rise only 3.4%. Kurt Salmon Associates forecasts a 1989 sales total of $165 billion. Though that is a more encouraging 5.2% increase, the consulting company says once inflation and mark-downs are taken into account, real growth will be less than 1%.

Apparel purchases are usually made in one of five types of outlets: department stores, small shops or boutiques, catalogs or factory outlets, discounters and national chains such as Sears Roebuck. Though department stores still claim most sales (about 25%), discounters and catalog/factory outlets are growing fast.

There are a number of reasons for the apparel slump, but stale styling in women's clothing, a $54 billion chunk of the industry, ranks high on many lists. With the average female customer in her more conservative 30s, it's harder for the fashion crazes that boosted sales and profits in the past to catch fire. Many designers have gone back to classic lines and will emphasize them even more in 1989. As a result, women will add sparingly to their wardrobes.

Price increases since 1987 have been in the range of 4.5%, putting them ahead of the Consumer Price Index. But price tags on women's outerwear have risen 15% to 25% in some cases. Even worse, as prices increase, studies show consumers feel quality is declining.

The branded apparel industry's business is also being challenged by retailers themselves. A sizeable and growing threat has emerged in the form of private-label apparel. In addition, the consolidation of the retail business — witness 1988's megamerger of Campeau, Federated Department Stores and Allied Stores — is having a major effect on apparel makers. As retailers merge, the number of merchandising and buying positions continues to change and dwindle. Currently, many longstanding relationships between vendors and stores have been disrupted, with fewer orders being placed. Management changes and the need to pay off merger-incurred debt have caused sharp cutbacks in the stores' advertising.

Today's conservative fashions set the tone for the industry at large.

Longer term, the consolidation trend within the industry will mean fewer buyers who wield more power. And the way these "superbuyers" will buy will change. Retailers will look for manufacturers who can turn around an order in as little time as four weeks, as opposed to the average six to nine months.

Some apparel categories fared much better than others in 1988. According to Salmon, for the first nine months of the year, men's wear rose 1%; boys attire was off 1%; women's clothing fell 8%; and girls was down 4%. But infant wear jumped 15%. Salmon projects slight growth in all categories for the same period next year, the exception being women's wear, which should be flat.

Manufacturers run the gamut in their media plans for 1989. Among well-known labels, Liz Claiborne will continue media cutbacks started in 1987, re-routing funds towards in-store sales-training programs. Calvin Klein will hold steady on its all-magazine clothes spending. Donna Karan and Ellen Tracy, both hot names now, expect to increase their ad spending.

Apparel dollars in magazines were up 9.8% for the first 10 months of 1988, according to the Magazine Publishers of America, for a total of $296 million. Pages were up 2.6% for the same period. Though most categories showed healthy gains, womens's wear — which accounts for 70% of the pages sold — dropped 1%. The MPA is projecting gains in the category of 10% this year, primarily because magazines are getting better at value-added deals.

The use of newspapers by apparel makers is almost exclusively through co-op agreements. The Newspaper Advertising Bureau estimates co-op dollars to be about 5% of the industry's sales total, or about $78 million last year.

Newspapers, though, will be hardest hit by the cutbacks. Newspapers are trying to hold onto business by instituting programs to push local retailers to use co-op allotments. Though large apparel makers are starting to use tv more to push new lines of accessories, the outlay is not expected to grow significantly from the approximately $386.7 million spent in 1987. ■

Automobiles

by Pamela Ellis-Simons

The U.S. automobile industry may go into a slight skid in 1989. New makes and manufacturers have glutted the market to the point that consumers are getting confused. And after a pretty good sales year in 1988, auto experts predict that the economy's slowdown will affect car purchases. J.D. Power and Associates, the California-based market research company, reports that after selling 10.5 million units in model year 1988, the industry will sell 10.2 million units in 1989, followed by 10.1 million units in 1990 before rebounding with the economy.

Competition for baby boomers and some big launches should fuel a fast-paced performance in auto advertising.

To stand out in this intensely competitive field, most auto manufacturers are going to be increasing their ad budgets, say industry observers. In July 1987-June 1988, the industry spent $3.4 billion, according to Leading National Advertisers. "It's a war out there," says Jerry Card, advertising manager for GM's Oldsmobile division, which will be increasing its 1989 model year ad budget "substantially" and has a new youthful campaign declaring it is not the car your father drove. Toyota national advertising manager David W. Danzer reports that his ad budget will be up about 15%. Nissan, coming off a disappointing sales year, won't increase its budget but will spend more on local dealers' billings.

The industry's media mix — typically 70% television and 30% print, with very little outdoor — won't change drastically. But tv will probably benefit slightly as manufacturers embrace image ads as a way to differentiate their product from the look-alike competition. In addition, spot tv sales may increase as auto makers rely more on geographically and demographically targeted marketing.

"Tv is more intrusive," explains Tom Healey, director of media and advertising services at J.D. Power. "It is a better tool for saying something new or changing an impression." Cadillac's Peter Levin, director of advertising, reports that his ad budget is up 30% over the 1987 model year. His media mix of 74% tv, 20% magazines will remain the same. But within the tv category, prime-time buys are up "considerably" in order to "establish some emotion for the product," he adds, "and to get our image more focused. There is a lot of competition in the luxury car group."

Indeed, J.D. Power says that the minivan, sport utility, sporty and luxury car segments in general will remain the strongest segments of the industry over the next five years as the baby boom reproduces and America ages. Estimates are that the markets for minivans will grow by 16%, sports utility vehicles by 17%, luxury models 23% and small sporty cars by 22%.

New launches should help drive the advertising engine. "You have to break through the clutter with good creative or repetition," says Charles Koch, account executive for Isuzu at Della Femina, McNamee, WCRS Inc. "Launch money is bigger than ever." Some of the more anticipated new launches, backed by heavy ad budgets, include Infiniti from Nissan, Lexus from Toyota and Geo from General Motors.

Print, however, is taking on additional importance as the industry is forced to explain new trends, like souped up engines. And within print, the word is "focused advertising." Toyota, for instance, will use *Architectural Digest* and other new buys to relaunch its upscaled Cressida, says Danzer. And at J.W. Thompson, Paul Hunt, vice president and media director on the Ford car and truck account, says he is putting "more emphasis on specifically-targeted" print to reach diverse groups like the car enthusiasts and women that buy Mustangs. He adds that newspapers will continue to benefit from time-sensitive incentive advertising as it increases in this hotly-contested industry.

To fill in the media gap, adds Hunt, cable is turning into a great buy, depending upon the program. But its narrowcasting appeal is a thing of the past, Hunt adds. "The bloom is off the rose." Nonetheless, Toyota's Danzer, for one, says he increased his cable buy "dramatically" for the Cressida relaunch. ■

Business Equipment

by Amy Alson

Fancy writing instruments are fashionable now, but for business the basic tools remain strictly high-tech: computers, copiers and facsimile machines. In the 12 months ended June 30, 1988, the top 10 business-equipment marketers spent $315.3 million in consumer ad media — 48% of it in network tv. All others add $165.6 million to the pool, making the total $471.0 million. They're expected to spend about 8% more in 1989 than in 1988, with network tv and national magazines gaining the most.

Computers, components and accessories put $137.5 million in BAR/LNA's nine measured media in the six months ended June 30. Copier advertising totaled $28.3 million in that period, including combined fax-copier ads. Fax advertising by 16 makers totaled $11.6 million in the same six months, according to BAR/LNA. The service began to track fax ad media last year in response to a request from media sellers. Fax ad budgets will soar this year.

Manic fax advertising should help offset a static computer segment.

Business-to-business pitches in trade publications will add an estimated $22 million to overall marketing budgets for the top 10 business-equipment marketers, estimates MMS Rome Reports.

Fax sales are big news as they soar past $2.1 billion despite price-cutting. Unit-sales growth raced to 500,000 in 1987, from 157,000 two years before, and will top 1 million as of 1988.

As one market analyst for a media company says, a rush to market new fax products this year "has got to be good for the advertising market." New technology sustains a high-priced market segment and starts replacement sales. Fax-PC integration will be a big theme for multi-product makers, who soon will link a copier, fax and printer.

Unfettered by precedent, each fax maker has favored a different ad medium. BAR/LNA reports that from January to June 1988, Sharp Corp. was the only fax brand on network tv. In the same period, Canon Inc. and AT&T Co. used only magazines, and Murata Business Systems Inc. favored network radio. Pitney Bowes Inc., which has a direct sales force instead of dealers, scattered its media dollars in cable, local radio, newspapers and vertical magazines such as *ArtNews*. Marketers say growing sales mean more dollars for media, and they'll spend more in 1989, especially on tv.

Media support for the mature computer and copier markets is cautiously stable. "The PS/2 [operating system], typewriters and mid-range solutions [computer-software packages] are an important part of our advertising plans for 1989," an IBM spokesman says. Xerox's umbrella effort will stay heavily in network tv, with print support.

Media mixes will change as budgets grow at some copier companies. Dollars will shift from copiers to faxes or to umbrella campaigns. Mita Copystar America Inc. increased media spending 20% last year and doubled print spending, all in national magazines to support its new fax and printers. Brand-awareness improved, says Brian Sonet, manager, market research and planning at the company, so in 1989 Mita will further boost spending to add more magazines.

PC sales will grow 12% to 15% in 1989, following a 20% gain in 1988, estimates Dataquest Inc. Many customers upgraded last year and won't be in the market again. In such a conservative environment, marketers will hold the line on ad spending, consultants say. Businesses' share of PC unit sales will remain about 50%.

Dataquest analyst Bill Lempesis doesn't foresee big media-strategy changes. "Most PC companies try to sell their products through dealers and distributors," he says, so co-op dollars will likely rise. Products are getting less differentiated, he adds, so promotions will emphasize brand awareness. Direct marketing will gain share.

High-end computer industry revenues won't grow more than 90% in 1989. The industry is at a major crossroads: Customers won't invest in new equipment until the industry settles on technical operating standards, and marketers won't advertise products aggressively until such standards are set.

Mainframe sales will stall in 1989 as PC clusters grows. What's hot in big computers is supercomputers, says Future Computing Inc., and, at $20 million each, they're not a prime product for mass media support. ■

Cigarettes

by Ann Lallande

America's per capita consumption of cigarettes is declining by 1.5% to 2% a year, with unit sales totaling about 563 billion in 1988 for a dollar value of $36 billion. As a result, tobacco companies are in an all-out war to maintain their base of users and try to take share from competitors.

Having said that, industry observers still expect total 1989 marketing expenditures for cigarettes to flatten or drop below the estimated $2.6 billion spent in 1988. The industry's two giants, which control 70% of the market, have gotten caught up in the corporate mania for mergers and buyouts. Philip Morris purchased Kraft Inc. and RJR Nabisco sold to Kohlberg, Kravis, Roberts & Co. The actions will leave both companies with huge interest payments, most assume, especially in RJR's case, that the parents will be looking to cut costs wherever to finance the new debt.

Philip Morris has promised to limit the drop in the value of its shares to 5%. That makes marketing a prime candidate for cuts, because, as Roy Burry, senior vice president of research at Kidder, Peabody Co. Inc., points out, "It is one of the largest — if not the largest — controllable expenditures at Philip Morris."

At the agency level, word has it that Philip Morris has already reduced the marketing outlays for one of its major brands by 20%. The irony of the strategy, one account executive notes, is that "tobacco brands are supposed to be the cash cows that will pay for the debt."

Debt, however, is not the only motivation for the anticipated reductions. Burry says the company has been in the process of cutting back on marketing outlays, at least as a percentage of revenues, for a while. "There is a belief," explains Burry, "that they have oversaturated the media channels and therefore are moving to a less aggressive posture."

Philip Morris could weather the cuts with its 35% market share relatively unscathed because RJR has problems of its own. RJR's guard will be down and the attention of its executives diverted from brand management, says one agency executive. "RJR will be the piñata of 1989, beaten up and broken apart by profiteers."

RJR's big question is what to do about Premier. It seems as if the introduction of RJR's smokeless cigarette is being greeted with a resounding Bronx cheer, and some observers are dubbing it "the $325 million booboo." If the company does not pull Premier off the market, its rollout could be stopped by litigation. The American Medical Association, for instance, wants to halt distribution until the cigarette has been tested and found safe.

Ad plans could go up in smoke to help improve the parents' bottom lines.

The most successful product introductions recently are long and slim cigarettes for women and value packs such as plain label, private label and low-priced brands. Brown & Williamson, for example, has done very well with Capri, a long and extra-thin cigarette. Capri went into national distribution just last year and it already has gained a half-share point.

In the value category, sales have been increasing by about 8% a year over the last three years to top $3.5 billion and claim 10% of the market. Liggett Group Inc. pioneered the concept in 1980, and the line has grown to represent 65% of the company's tobacco sales. Similarly, American Tobacco credits its two entries in the value category — Malibu and American Lights — with helping to boost its overall market share from 6.9% to 7.2%.

"The growth of the low-price category has been so dramatically promoted at retail," says Don W. Fish, vice president of marketing at Liggett, "that more dollars from the business had to be diverted to being competitive at the store level." Instead of pouring 65% of their marketing budgets into advertising, as they did in 1980, cigarette companies now spend 70% of their marketing dollars on promotions that run the gamut from event sponsorship to consumer offers to display allowances.

Outdoor advertising has survived surprisingly well through the shift. Tobacco revenues decreased 20% in 1987, but recovered last year, growing 13% to top $353 million. Cigarette advertising in magazines has declined from 1984's $425.9 million, but it appears to be leveling off around $350 million. Newspapers have suffered the most, with tobacco revenues dropping from a high of $358 million in 1981 to $67 million.

Cigarette companies are also launching direct-mail programs, and they continue to sponsor numerous variations on the sweepstakes theme. The point: to increase the user's involvement with his or her brand. ■

Cosmetics

by Rebecca Fannin

The pressure is on beauty marketers to spend more wisely as sales growth slows.

Both sales promotion and national ad budgets are expected to be up significantly this year in the $8.1 billion cosmetics market. During 1988, the beauty industry allocated an estimated $580 million to national media, according to Leading National Advertisers. Sales promotion, say financial analysts and cosmetics consultants, captured another $250 million. But this year, the share turned over to sales promotion should be larger than to advertising. Trade promotion, in particular, is projected to grow as retailers pressure manufacturers to foot the bill for co-op store ads.

Moreover, consumer promotion spending should climb. Increased resistance by consumers to premium-priced products is projected to heighten the practice of free gift with purchase, according to cosmetics consultant Alan Mottus.

Profit margins will get squeezed as the industry's growth rate slows. The cosmetics business, which includes fragrances, skin care, lip and eye beauty products, as well as nail care, is projected to increase by 6% after several years of an 8% rate.

One trouble spot is the $3.2 billion fragrance market, expected to be flat during 1989. This category's growth is dependent upon new brands which typically spend about $10 million for launch. But life cycles of products keep shortening (to less than three years) and consumers are weary of continual price increases.

Still, during 1988, the fragrance industry grew by 6%, led by a grab bag of big-name new products. Prestige products such as Giorgio are declining in popularity, however. One problem: competition from cheaper knock-offs. Old classics such as Chanel no. 5 continue to be strong.

A new perfume from Noxell, Coolers, is expected to have heavy spending. Another bright spot: men's fragrances. This $1.2 billion market, which includes aftershaves, should gain by at least 15%, according to Camille Duhe, editor of *Product Marketing*.

The $2.6 billion skin-care market, which spends $146 million, 40% in magazines, is disappointing. Sales increases of 13% since 1980 should decline slightly. The problem is that "marketers are spending money defending their claims against FDA challenges rather than building the business," says Mottus.

Look for development of skin care in mass retail outlets. This segment is led by Oil of Olay, but new competitors include Colgate-Palmolive's Lournay, Gillette's Myoko, L'Oreal's Plentitude and added items from Neutrogena and Nivea.

Analysts predict the $800 million nail-care market, with spending of $44 million, should gain by 6% after a 7% growth in 1988. Products such as cuticle removers should boost the category, however.

News in the $1.7 billion facial make-up segment — lipstick, foundations, powders, eyeshadows, liners and mascara — is Maybelline's battle to regain leadership from Cover Girl. This war, say the analysts, should escalate ad spending beyond last year's $185 million in the category to boost facial make-up sales by about 5%. Azziza, since a restage, has also gained share and put pressure on Cover Girl's eye make-up.

Analysts wonder whether Cover Girl has saturated its market. The clean, wholesome, all-American image hasn't changed in ten years, but may get a face lift soon. Sister line Clarion, which has a more contemporary positioning, may also be cannibalizing sales of Cover Girl. Meanwhile, Maybelline has increased share from 18.6% last year to 19.5%. Cover Girl's share is down from 21.2% to 19.9%.

This year, Maybelline will introduce a lip and nail product to the Shine Free line. Analysts add Maybelline will bring out cosmetics for black women and launch a skin-care line.

Finally, the $400 million sun-care market should reach $560 million by 1992, says editor Duhe. New products will push it along: Keep an eye on make-up products that contain sunscreens.

The cosmetic industry spends about 30% of its budget in magazines, and that ratio isn't likely to change in 1989. Cosmetic advertisers are divvying up budgets among a wider list, beyond health and beauty aid books. Tv spending takes about a 45% share and is expected to be stable next year. However, watch for more cable spending, which has enjoyed a 600% increase in billings since 1987. Network radio may also see growth. Look for others to follow trend-setter Maybelline, which allocates 6% of its budget to the medium. ■

Drugs (OVER THE COUNTER)

by David Kalish

Advertisers continued to spend sluggishly on drugs and remedies in 1988, and despite a few bright spots, another lethargic performance is expected this year. The sleepy picture comes as drug manufacturers rack up record sales of over-the-counter drugs — 1988's total is expected to reach $7.5 billion — apparently turning more than ever to couponing and other forms of noncommissionable promotion to pitch their products.

Observers say this year's rise in ad spending will roughly equal or slightly exceed the 4-5% increase recorded last year. That brought the category to $1.42 billion in spending through June 1988, according to LNA/BAR.

The slight increase is largely attributed to new ad campaigns for launches of line extensions of existing over-the-counter products. The first 10 months of 1988 were a particularly robust period for such activity, according to Marketing Intelligence Service: 49 new cough and cold remedies, 41 new pain relievers, 25 new medicated skincare products and 24 new stomach relievers.

Among the line extensions in 1988 that added some punch to otherwise slow ad spending were American Home Products' Clearblue Easy one-step pregnancy test, which LNA/BAR lists spending $587,400 in the six months ending June 1988; a new size of Schering-Plough Corp.'s Drixoral Plus, which brought expenditures for the product to $519,600 the first six months of 1988; and another sinus formula for Schering-Plough's Chlor-Trimeton decongestant, which brought its total spending to $1.7 million for the first half of 1988.

Ad spending boosts this year are expected to be largely the result of more line extensions, as well as new over-the-counter products launched from prescription-only medicines. This trend will be a more important part of ad spending as the Food & Drug Administration relaxes rules on what can be sold without a prescription.

Television advertising remains healthy, with increases that should extend into 1989. This is led by a mini-boom in prescription drug ads — which interestingly, under federal regulations, cannot mention the name of the product.

Total 1987 drug and remedy spending in tv increased 9.8% to $1.04 billion over 1986, according to the Television Bureau of Advertising. Leading the way was Johnson & Johnson, which LNA lists with $119 million in tv spending the first half of 1988, followed by American Home Products with $112 million and runner-up Procter & Gamble with $43.7 million.

CBS, whose ratings troubles have hurt ad revenues of late, projects drug ad spending rose 3% last year over 1987, compared to NBC's projected 13% jump. At NBC, a big infusion of first-half 1988 spending for prescription-drug advertising from Glaxo Holdings P.L.C. and SmithKline Beckman Corp. boosted the top broadcast outlet's spending total to $18 million from $4 million in the same period in 1987.

These increases come despite dog days in spot tv, with no big deals signed lately with major drug advertisers. Former spot advertisers like Sterling Drug and Bristol-Myers have instead embraced cheaper media.

Spending in print was boosted only 2.9% during January through September 1988, compared to the same period in 1987, according to the Publishers Information Bureau. PIB's nine-month 1988 total is $113 million.

In medical journals, prescription and drug spending is projected to increase roughly 3% this year, according to Bozell, Jacobs, Kenyon & Eckhardt. This is credited in part to the launch of four new ethical books in 1989. Pharmacy magazines recorded $22.3 million in 1988 in Rx and over-the-counter advertising, according to BJK&E.

Spot radio has shown modest increases, from $17.3 million the first half of 1988 compared to $15.9 million the same period in 1987. However, network radio was off nearly $2 million to $38.5 million in the same period.

Conventional outdoor such as billboards increased from $841,700 in 1987 to a projected $1.5 million in 1988, according to the Institute of Outdoor Advertising.

Other outdoor forms like eight-sheets, transit advertising and mall ads recorded a slight increase from $81.5 million in 1987 to a projected $81.9 million in 1988 (their measure includes internal and external medications), according to rep firm National Out-of-Home Media Sales. However, companies that pulled out their ads in 1989 have inquired about reinstituting them, the rep firm reports. ■

Line extensions and price promotions are the prognosis for the year ahead.

Financial Services

by Pamela Ellis-Simons

The financial services industry was on a roller coaster last year. The October 1987 stock market flop and this year's stock scandals scared off the individual investor and sent 1988 volume dropping for the large retail brokerage houses. In addition, many of the nation's savings and loan institutions are being folded into stronger members. And across the country, deregulation has pitted the country's banks, brokerage houses and insurance companies against each other.

The intense competition means advertising will increase over last year, whether the industry can afford it or not, say analysts and observers. Through June 30, 1988, the financial services sector spent $1.3 million on advertising, according to BAR/LNA, which was up 24.7% over the previous year. The biggest spending component of that was banking, which accounted for 34.6% of those ad dollars. This year, ad expenditures are likely to rise only slightly, with the biggest spending component most likely to come from the brokerage field.

Despite falling profits, the industry knows it must investment-spend on ads.

A good example of the pressure to advertise is seen in retail brokering. "1988 was a very difficult year for retail-oriented firms, which spend the most [of their industry] in advertising," says Doyle Lyons, vice president of Merrill Lynch Capital Markets and analyst for the brokerage business. "All of the retail firms are having serious earning problems. But they probably wouldn't want to cut advertising. In this environment, nobody can afford to drop out of sight."

The same is true to a lesser extent for banks. 1988 saw fewer loan loss reserves for commercial banks, yet bank analyst James H. Wooden, senior vice president at Shearson Lehman Hutton, reports that "there was not a lot of fluff left for advertising. And in California and New York, you've got to advertise all the time or run the risk of losing deposits because there are so many banks and S&Ls and rate-sensitive customers."

How much more the financial services industry will advertise depends on each company. Citicorp, for instance, will advertise about the same amount as in 1988, which was bumped up by their first national image campaign and an extensive spot ad budget for Mastercard and Visa. Because of the national campaign, the bulk of Citicorp's 1988 and 1989 consumer bank spending is now in television. As they prepare for national banking, large banks are bound to increase their mass-market media budgets over their traditional direct-mail allotments.

In the uncertainty of 1988, most retail brokers focused on print advertising—particularly newspapers— as the most effective way to deal with the volatile stock market. "You needed flexibility and a way to get the message out faster," says Charles V. Mangano, vice president and director of advertising at Merrill Lynch. The big brokerage firm didn't cut back on television but found print allowed it to be more specific in its message as the market dropped and recovered. It also used newspapers extensively to promote its market seminars and late-breaking information about bonds. Merrill Lynch's Mangano guesses the industry will probably increase its advertising spending slightly in 1989.

Insurance companies will probably be wary of advertising after poor financial results in 1987 and prospects of the same through the first half of 1990, says Udayan Ghose, first vice president, research department of Shearson Lehman Hutton. But strong players are increasing their budgets in television. New York Life Insurance Co. expects to more than double its mostly-television ad budget in 1989 to $25 million to stress its newer investment products and to create a "new look, a new positioning" for the company, says spokesman Peter Craddick. Allstate's vice president of corporate market support, John J. Flieder, adds that as companies like his try to differentiate themselves from others, they will focus budget increases on image-oriented television campaigns. Allstate's 1988 print budget was increased as well and is likely to stay at that higher rate "to give more depth and more detailed explanation," as well as target specific groups. Indeed, a major story for this segment of the financial services segment is how companies are creating specific campaigns for different age and income groups. ■

Prepared Foods

by Amy Alson

The good news is that the multi-billion dollar food industry is moving ahead nicely, with national food manufacturers appealing to convenience, health concerns and a growing family-centered market to drive food sales. For the 52 weeks ended Nov. 4, 1988, packaged-food marketers warehouse shipments of dry, frozen and refrigerated foods were worth $102.1 billion in retail sales, SAMI-Burke reports. But the bad news is, advertising budgets won't necessarily ride along.

In the 12 months ended June 30, 1988, the top 10 marketers of prepared and convenience food spent $208.6 million on national media, according to Leading National Advertisers. Among packaged-goods marketers with at least $1 billion in revenues, 45% of marketing dollars go to trade promotion, 29% to consumer promotion and 27% to ad media, says a recent report by Landon Associates, the newspaper sales firm. In 1989, sales promotion will continue to take dollars from national advertising media's plate. As for the dollars still in media, they'll migrate from network tv to less costly, more targeted media, market experts say.

Food marketers continue to starve ad media to feed more promotions.

"Advertising as we used to know it in the food industry is in jeopardy," says Jim Dunne, director of syndicated research at Nielsen Marketing Research. Most new food products these days are brand extensions or "me-too" products, so brand-specific promotions and couponing win favor over advertising, which tends to promote an entire category, Dunne says.

"It's increasingly difficult to put together a truly effective ad-spending plan," adds consultant Dan C. Swander of San Franciso-based Swander, Pace & Co. His clients seek alternatives to network tv, with its high costs and eroding audience. He says, "I suspect you'd see more co-op advertising" as part of a growth in trade promotions.

Trends likely to influence food marketers' 1989 strategies are industry mergers and regional brand growth. The consensus is that mergers won't have much impact on 1989 ad budgets. "They'll look to other parts of business for savings," Swander says. Ad volume won't fall, but total spending might since multi-brand giants like Philip Morris Cos., with its Kraft and General Foods units, wield great leverage with media sellers.

Corporate parents are likely to do more cross-brand promotions, such as distributing coupons for a new dry-goods brand with a frozen food.

National food processors increasingly are developing products at the regional level for regional distribution. That, too, could siphon marketing dollars from national ad media into local trade support, which often already includes co-op ad dollars.

At the product level, in 1989, "anything microwaveable is going to grow," Swander claims. For instance, though Campbell Soup Co. has reined in its new-products output — which exceeded 300 between 1982 and 1987 — a microwaveable canned soup is "imminent."

In the $1.5 billion frozen-entree market, the on-going war for finite freezer-case space won't abate. Microwave-only formulations are expected to squeeze out space for frozen juices, as juice-makers push refrigerated products (though chilled entrees are stymied by distribution snags). Kraft's All American Gourmet Co., maker of Budget Gourmet frozen foods, plans to launch Eating Right low-calorie frozen entrees this year. It reportedly will spend $15 million on the line.

However, the government could put a crimp in the ready-to-microwave rage — it's now testing microwaves' effects on glues used in the packages.

The $5.5 billion breakfast-cereal business promises variation on familiar themes. The top 10 brands spent $243.6 million in the 12 months ended June 30; they'll keep spending up this year. Fiber, especially oat bran fiber, sold adult cereal in 1988. Now the buzz is about rice bran fiber, said to be less costly and a better nutritional source.

At the retailer level, stores are creating brands closer to national brands, which could be good news for the media. There's no consensus on the potential of such "upmarket" store labels as A&P's Master Choice coffees. Some say aggressive promotions of store labels will make national brands reduce trade support to do more advertising with a big-brand status pitch. ■

Travel

by David Kalish

Spending in the $1 billion travel advertising category is expected to increase 8%-10% in 1989, fueled by America's growing passion for far-off places.

Airlines, cruise lines, hotels and tourism bureaus spent roughly $971.6 million on advertising in the 12 months ending June 1988, according to LNA/BAR, up from $803.2 million in the same period in 1987. The 1988 figures reflect in part the addition of Media Records newspaper data to LNA's total in 1987.

Ad spending in 1989 will continue to benefit from the low U.S. dollar, as advertisers try to cash in on the growing number of overseas travelers in the United States. In addition, 4.2% more Americans traveled to Europe in the first six months of 1988 compared to 1987, leading to beefed up ad spending by European countries' travel advertising in U.S. media. "The resort and travel category is probably the hottest category of them all," says Robert Coen, senior vice president and director of forecasting at McCann-Erickson.

Also spurring ad growth is a recent proliferation of new cruise lines and increased business at established ones, with the U.S. cruise industry enjoying 11% sales growth last year, according to Cruise Lines International Assn.

Typical of the fresh ad money streaming into the category is Seabourn of San Francisco, a two-ship upstart company that launched its first-ever consumer ads in 1987 with $2.8 million. That rises to $3.9 million in 1989.

While powerhouse Carnival Cruise Lines's budget remains stable in 1989 at roughly $34 million, the media buy will actually increase by about $2 million as fewer dollars are spent on one-time production expenses. Magazines can expect to absorb some of that increase.

Also boosting ad spending this year are many destination and resort sites. For instance, the Tourist Bureau of Mexico intends to bolster 1988's $15 million advertising budget by roughly 20%. Also, for the first time in 1988, the European Community, a 12-nation tourism consortium, advertised in magazines with a $300,000 budget that bought six-page gatefolds in *Travel & Leisure*, *Gourmet*, and *New Yorker*.

And while the major airlines, which account for the largest chunk of travel spending ($400 million), are not planning big ad boosts in '89, the media mix may change. If the airlines are successful in reducing fare wars, that may mean fewer impulse ads in newspapers and more image ads trumpeting service in tv and magazines.

United Airlines says it spent $85 million-$90 millon on advertising in 1988, which should hold in 1989. With 65% of its '88 ad dollars in television, United for the first time in years bought space in *Newsweek*, *Business Week* and *Time*, with the latter carrying nine United pages compared to none in 1987.

For its part American Airlines, the biggest travel spender — LNA/BAR has it spending $84.5 million July 1987 to June 1988 — plans few changes in its budget this year, although the focus may shift more to the leisure flier. But with a new regional approach to ad spending, American plans to put more money into outdoor advertising, which currently comprises only about 5% of its budget. Signs of the times: San Francisco had 32 American outdoor boards in 1988, compared to none the year before.

Overall travel advertising in conventional outdoor media like roadside billboards increased 10.5 % to $144.5 million in 1988, according to the Institute of Outdoor Advertising. A 20% boost in travel spending over last year's $113.2 million is expected in 1989 in other forms like transit, eight-sheet, bus shelters and malls, according to Robert Dragotta, president of National Out-of-Home Media Sales.

For radio, the move toward stressing airline service over fares could mean a reduction in travel ads on hard-rock stations and more advertisements on affluent-audience stations like classical. In recent years, spot radio has been losing airline advertising, but industry officials express optimism as the recent spate of airline consolidations cools down. Consolidation of the major airlines robbed spot radio of ad dollars in 1988, as spot travel ad spending slipped to $46.8 million in the first half of last year from $55 million the same period in 1987.

Magazines will continue to cash in on travel's ad spending spree. Books that can prove reader interest in the subject and/or incomes to pay for the trips are good candidates. This can span the gamut from titles such as *Travel & Leisure*, which enjoyed a 20% rise in 1988, to *Time*, which toted up a 10% boost in travel ads last year. ■

Ad spending could take off as America continues its travel passion.

INDUSTRY OUTLOOKS

Readers Tell Us . . .

The client community is glum in its assessment of the year ahead. Research USA reached a sample of our advertiser readers and asked them for their outlook. (Base: 115, unless otherwise noted.)

1. How do you think the economy will change over the next six months?

It will greatly improve	3.5%
It will somewhat improve	21.7
It will stay the same	37.4
It will somewhat weaken	35.7
It will greatly weaken	1.7
No answer	—%
	100.0%

2. What do think will happen to the following during the first half of 1989?

	Interest Rates	Consumer Spending	Inflation
Will rise	60.8%	19.1%	50.5%
Will stay the same	27.0	57.4	45.2
Will fall	12.2	23.5	4.3
No answer	—	—	—
	100.0%	100.0%	100.0%

3. Has your organization specifically revised its advertising budgets for the first half of 1989 because of economic uncertainty?

Yes	37.4%
No	62.6
	100.0%

If "Yes":

a. How much have your ad budgets changed overall for the first half of 1989?

They're up 1% to 9%	20.9%
They're up 10% to 19%	20.9
They're up 20% or more	11.6
They're down 1% to 9%	30.3
They're down 10% to 19%	11.6
They're down 20% or more	4.7
	100.0%
Total "up"	53.4%
Total "down"	46.6
(Base: 43)	

b. What changes were made for each of the following media?

	Consumer Magazines	Business/ Trade Publications	Newspapers
Up	42.1%	38.2%	25.7%
No change	47.4	47.1	48.6
Down	10.5	14.7	25.7
	100.0%	100.0%	100.0%
Base*	(38)	(34)	(35)

* Based on those answering question

	Television	Cable	Radio
Up	32.4%	40.7%	42.4%
No change	29.4	51.9	30.3
Down	38.2	7.4	27.3
	100.0%	100.0%	100.0%
Base	(34)	(27)	(33)

	Outdoor	Sales Promotion	Direct Marketing
Up	—%	62.2%	62.8%
No change	81.5	32.4	34.3
Down	18.5	5.4	2.9
	100.0%	100.0%	100.0%
Base	(27)	(37)	(35)

4. Have there been cutbacks in your own organization over the past few months?

Yes	37.4%
No	62.6

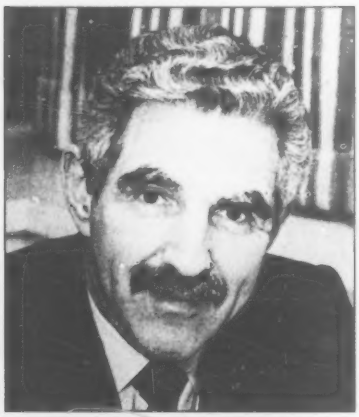
If "Yes," in which of the following areas were cutbacks made? (Check all that apply)

Budget cuts	53.5%
Top management cuts	9.3
Mid-management cuts	41.9
Staff cuts	83.7
(Base: 43)	

AS THEY SEE IT

TELEVISION

Joel Segal
Executive vice president, director national broadcast, McCann-Erickson, New York



THE SUMMER OLYMPICS: POSTMORTEM '88 AND PREVIEW '92

It's been a watershed year for the Summer Olympics, according to many observers. Gloomily, they predict that it is all over for Olympics, that it is not the event that it once was, that ratings are in the doghouse and bound to go lower and, finally, that Americans are no longer entranced by the quadrennial classic.

This past summer, that seemed the case. Indeed, the 1988 tv numbers tell a sorry story when compared with those of 1984 (see chart).

There's no denying that the declines were devastating — disappointing to NBC, to say the least, and more than surprising to the broadcasting community. But there is a multi-faceted story behind these numbers that leads us to believe that things will change for the better the next time around in Barcelona in 1992.

Let's look at what is generally believed to be the primary culprit — the production itself, keeping in mind that all of the factors to be discussed can be eliminated or revised in 1992.

- In an effort to provide as much live coverage in prime time as possible, NBC tended to focus on live, though less appealing events, such as water polo, women's basketball and boxing, rather than on taped, delayed contests that could have been more popular with viewers, such as track, gymnastics and diving. There were simply bad choices made in the name of live television.
- There was a fragmented feel to much of the production, both in terms of commercial breaks and event coverage. The cameras leaped abruptly and arbitrarily from diving to basketball and back again, a form of zipping by the network itself. Continuity of action was further damaged as the network seemed to cut commercials and promotional announcements with increasing frequency.
- Bryant Gumbel is a marvelous interviewer and *Today Show* host. But just as Dan Quayle is no Jack Kennedy, the *Today Show* is not the Olympics. Gumbel appeared even-handed, reserved and somehow detached. I believe the public missed the enthusiasm and outright patriotism of ABC's Jim McKay. Over time, producers have learned that viewers like to be told when to applaud.
- In order to provide live Korean coverage to American viewers in prime time, events had to be scheduled as early as 9 A.M. in Seoul to show up at 7 P.M. in our Eastern time zone. At that hour, as many as half the stands might have been vacant. This emptiness may well have translated into negative feelings among the audience at home, thereby contributing to reduced viewing. In Barcelona in 1992, where events will be taped, they will occur at the hours of maximum attendance.

An adjunct to this issue is the matter of the Korean versus the Spanish fan. In Seoul we had a stoic, reserved population, whereas in Barcelona we can expect the typical Spanish elan. Spectator enthusiasm is infectious, we believe, and can be easily caught by the home viewer.

Of course, many of the difficulties were not of NBC's own making:

- We are a chauvinistic country. We love to see the home team win — whether it's Boston and the Red Sox, New York and the Jets or the USA and the American Olympic team. In the 1984 Olympics, without the presence of the Communist titans, the USSR and East Germany, America was number one with 174 medals. The Los Angeles Olympics were glorious days for our country. When the East Europeans joined the fray in 1988, we fell back to third place with only 94 medals, compared to 132 for the USSR and 103 for East Germany. Unfortunately, this performance tended to dampen the spirits of the viewers.

THE OLYMPIC DIP

Time Period	Ratings L.A.-1984	Seoul-1988	% Change
Prime	22.5	16.7	−26%
Late Night	16.5	11.3	−32%
Early Fringe*	10.8	5.2	−52%
Weekend Daytime	15.8	7.2	−54%

** Early Fringe 1984 – 4-5:30 P.M.; 1988 – 4-5 P.M. Source: Nielsen*

The opinions expressed in the "As They See It" section are personal observations by practicing professionals. They are not those of the magazine.

• Prior Olympics seemed to provide the audience with a charismatic winner, an Olga Korbut, a Nadia Comaneci or a Mary Lou Retton. This time around, there were none. It is possible that NBC might have done a better job in building up a hero or heroine for the fans, a Janet Evans or a Matt Biondi, but for whatever reason, it never happened.

• The Olympics were not truly summer games. In order to accommodate the Korean climate, they were scheduled in the early fall. This caused them to appear opposite end-of-season baseball games and professional football on American home screens, resulting in the defection of considerable numbers of male viewers. When *Monday Night Football* ran opposite the Olympics on September 19 and 26, there were actually more women than men watching the Olympics, a rather uncommon occurrence for any sporting event.

• Some non-sports competition outperformed expectations. Despite the writers' strike, CBS had a few first-run female-oriented movies on the shelf, and they used them to good effect. During the Olympics, ABC stripped repeats of its successful sitcoms from 8-9 P.M. and followed them with young-appeal movies and specials. This ploy successfully drew off significant numbers of kids and teens. Between them, therefore, ABC and CBS were able to effectively counter-program among major viewing groups.

In July-August 1992, when the Olympics will be the major event of the summer, many of the counter-programing devices mentioned will either be unavailable or less effective. Furthermore, no matter what network wins the rights to the Olympics, all will have learned from NBC's 1988 experience. By necessity, all prime-time events will be taped, permitting the staging of a dramatic television special with continuity and controlled commercial breaks. The show will be smoother, the seats filled, the spectators will be more reactive and the host or hostess will glow with enthusiasm. In short, regardless of network, American viewers of the Barcelona Olympics will be treated to exciting dramatic television in the summer of 1992. ■

MAGAZINES

John L. Gray
Senior vice president, director of media planning, J. Walter Thompson, USA, New York

THERE YOU GO AGAIN

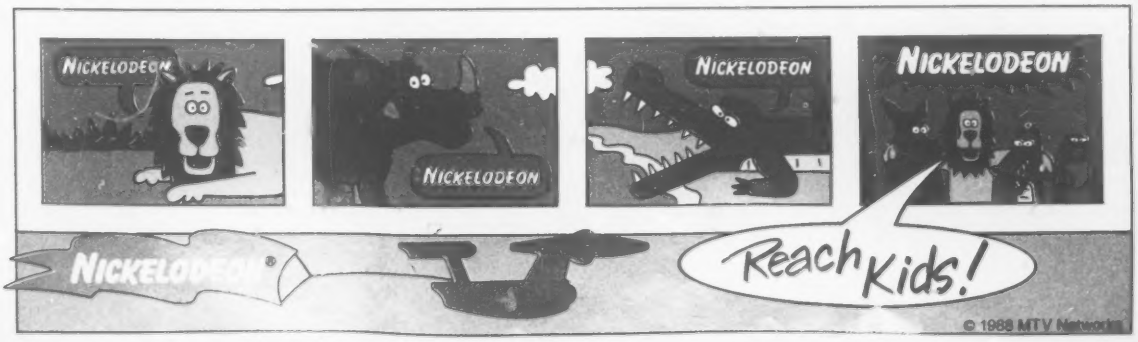
Writing this article around election time, I'm reminded of the 1980 presidential debates and then-candidate Reagan's famous rejoinder to President Carter: "There you go again." This seems an appropriate response from agencies and advertisers to those many magazine publishers who have announced rate increases of 6%, 7% or even 10% or more in 1989.

These magazines claim their increases are unavoidable, caused largely by paper and postal rate increases in 1988, coupled with another "expected" paper cost increase early in 1989. But agencies and advertisers simply cannot accept increases of this magnitude.

According to estimates from the Magazine Publishers of America (MPA), average magazine operating costs have risen 4.7% because of paper and postage increases. Paper costs have increased about 19% since July 1987, and postage costs are up an average of 19.1% since April 1988. Applying these increases to the percentages of total magazine operating costs represented by paper (about 15.2%) and postage (about 9.2%) results in the MPA's 4.7% figure. Magazines have also incurred some cost increases in other areas.

But wait a minute. Companies everywhere are faced with unavoidable cost hikes. Many of them find other areas where they can cut back, rather than simply passing along those increases to their customers. Certainly there's one big area where publishers could cut. That's their expensive circulation acquisition and renewal practices.

Time magazine pointed the way recently by dropping 300,000 of their most costly and undoubtedly least desirable circulation. This will improve the overall quality of their total circulation. And based on our past experience, we doubt it will significantly affect their total readership figures reported in syndicated research. (*Time* will surely maintain the public-place distribution that contributes a large portion of the total audience.)



ing and merchandising. But inherent in the value concept is the price/value relationship.

Magazines have been complaining about agency and advertiser pressure to negotiate rates. Yet we're not convinced they have done all they could to hold down rate increases. I submit that any publication with a CPM rate increase of more than 4-5% has extended an invitation to negotiate. And I'm sure that we will R.S.V.P. by accepting your invitation. ■

RESEARCH

Steve Sternberg

Vice president, manager of broadcast research, Bozell, Jacobs, Kenyon & Eckhardt, New York

VCRs: A NEW MEDIUM, A NEW MESSAGE

As the 1980s come to an end, we are entering a new era in television research. People meters, commercial measurement moves, single-source data, computerized marketing information systems and other new technologies that are bound to emerge in the near future are causing many rapid changes in an industry that for 30 years was essentially business as usual. The major impact to date has been on how audiences are measured and eventually on the way television time is bought and sold. The VCR, however, is having a fundamental effect on how people watch both television programing and commercials.

Nearly three decades after Marshall

Do You Know What It Means

To Miss New Orleans?

Unfortunately, some national retailers do. And that makes us wonder why. Consider, for a moment, that retail expansion has increased 25 percent since the fall of 1986. And if you're still not convinced, consider that Macy's "exceeded" its expectations when it opened in October of 1986. That's why it opened a second one in New Orleans in August of 1988.

Who else is in New Orleans? Lord & Taylor, Brooks Brothers, Saks Fifth Avenue, Esprit, Gucci, Laura Ashley, and strong regional retailers like Maison Blanche and D.H. Holmes. Do they know something about the $15 billion New Orleanians spend that you don't?

If you're missing the good news, call Ray Massett at (504) 826-3071.

The Times-Picayune's Weekly Coverage of the New Orleans Market:

	%	Total
All Adults	86	968,000
Exec/Professional Occupation	91	293,000
$50,000 + Household Income	90	129,000

Source: Total EBI - 1988 Sales & Marketing Management, Survey of Buying Power
N.O. MSA Readership - Belden CMS, May-Dec 1987

Photos by Colleen Soule (top), Ellis Lucia (bottom)
Model Susan LeCourt with apparel by Saks Fifth Avenue

ADSAL

The Times-Picayune

Represented Nationally By Newhouse Newspapers • New York, NY (212) 697-8020 • Birmingham, MI (313) 540-5606 Atlanta, GA (404) 955-2335 • Chicago, IL (312) 641-6242 • San Francisco, CA (415) 362-3367 • Beverly Hills, CA (213) 205-7647

McLuhan first coined the phrase, the videocassette recorder is clearly demonstrating that the medium is still the message.

Background: After about 10 years of mass-market sales, the home VCR has become the fastest-growing electronics product ever, according to the Electronic Industries Association. Nielsen estimated VCR penetration at about 60% of the U.S. in 1988, up from just 2% in 1980, and BJKE expects this figure will reach 75% by 1995 (see Chart I).

With such a rapid growth in VCR households, and with VCRs enabling viewers to become, in effect, their own programers, one might expect a significant impact on program ratings. With a few exceptions, however, this has not yet proved to be the case. While daytime soaps, prime-time miniseries and made-for-tv movies have consistently demonstrated a relatively high degree of VCR recording . . .

- Regular prime-time series, on average, have held steady at about a 2% VCR contribution to recording activity despite the dramatic growth in VCR ownership;
- And the average minutes of record, rather than playback, time in VCR households have declined over the past few years (see Chart II).

The major reason for this is that despite its high penetration level, the VCR is still in its infancy as a consumer medium. About 60% of VCR homes have owned a VCR for less than four years, when VCR penetration jumped from 29% to 60%. New owners tend to rent movies they've always wanted to see before they settle into more time-shifted viewing. We are beginning to see changes in VCR usage patterns based on length of ownership. Homes owning a VCR more than three years record 30% more a month than those owning a VCR for less than one year (see Chart III).

Nielsen pegs the percentage of all households that own more than one VCR at 21%. As already noted, BJKE projects VCR penetration to reach 75% by 1995; over three-quarters of VCR homes will have owned at least one VCR for more than five years. Clearly, the impact of VCRs on television ratings as we enter the 1990s will be far greater than it is today. Already this season we are seeing a slight increase in the VCR contribution to network ratings during prime time and a larger increase in daytime (Chart IV).

Measuring the VCR audience: Nielsen is scheduled to discontinue reporting VCR recording and incorporate VCR playback in its program ratings beginning September 1989.

Chart I

VCR PENETRATION PROJECTIONS (Fall of Each Year)

1980	2%
1981	4%
1982	6%
1983	11%
1984	17%
1985	29%
1986	44%
1987	53%
1988	60%
1989	63%
1990	66%
1995	75%

Source: Nielsen & BJKE Estimates

Homes owning a VCR more than three years record 30% more tv programing than those that have owned one for under one year.

KIWANIS MAGAZINE

KIWANIS magazine delivers a unique, quality travel audience.

- 54.1% of all KIWANIS magazine readers have traveled abroad in the past three years, an average of 2.5 times each.
- 21.2% have taken a cruise during this same time period, 5.9% more than once.
- Their median age is 54.9 years.
- Their mean annual household income is $62,800.

In September, 1988 KIWANIS magazine initiated a Travel Advertorial program, a schedule of 1989 features is available upon request.

A Reader Service feature appears in every issue, and is free to advertisers purchasing 1/6th page or more in the same issue.

For additional information concerning KIWANIS, KIWANIS magazine, and this unique, quality travel audience, please write or call today:

Kiwanis International
3636 Woodview Trace
Indianapolis, IN 46268-3196
Attention: Pat Hatcher, Advertising Director
Phone: 1-800-445-3925
In Indiana: 1-800-638-7436
or 1-317-875-8755
TELEX: TXW 810-341-3471
FAX: 317-879-0204

Source for all statistical data: A.C.M.S., 6/87 Subscriber Study Report.

Chart II

AVERAGE MINUTES OF VCR RECORDING PER WEEK

	1984/85	1985/86	1986/87	1987/88
M-Sun 24 hours (June-May)	169	165	168	145
Prime Time (Sept.-May)	71	81	78	59

Source: Nielsen

Chart III

LENGTH OF VCR OWNERSHIP

	Less 1 Year	1-2 Years	3+ Years
Avg. # of Recordings per month	12.4	13.7	16.1

Source: Nielsen

Chart IV

VCR CONTRIBUTION TO NETWORK RATINGS

	Nov. '85	Nov. '86	Nov. '87	Sept.-Oct. '88
Prime time (Regular Series)	1%	2%	2%	3%
Daytime Drama	2%	5%	6%	9%

Source: Nielsen

Chart V

PERCENT OF VCR RECORDING BY SET STATUS M-Sun 24 Hours (June-May of Each Year)

	1985/86	1986/87	1987/88
Set Off	53%	52%	52%
Diff. Channel	16%	17%	17%
Same Channel	31%	31%	31%

Source: Nielsen

Before discussing the problems involved with reaching an industry consensus of what actually constitutes playback, let's take a look at some of the things we know about viewers' VCR usage patterns:

- About 52% of all VCR recording is done while the set is off. This means that VCRs are probably adding viewers who otherwise wouldn't have watched anything. Only 17% is recorded from a different channel, and 31% is recorded off the same channel as the one being watched. These figures have remained stable for the past three years (Chart V).
- According to Nielsen, 17% of VCR homes account for about one-half of all daily VCR usage. This small group uses the VCR for an average of three hours, 40 minutes a day, whereas the remaining VCR homes average just 44 minutes (see Chart VI for VCR usage quintiles). The loss in advertising exposure in the "average" VCR home may therefore be minimal.
- Movies and soaps represent the most commonly recorded programs; sitcoms, game shows, sporting events and news are the least recorded.
- VCRs are still the most prevalent in the Northeast and Pacific territories; "A" counties; pay-cable homes; and upper-income, larger and better-educated homes. But as VCR penetration expands, this is less pronounced.
- Prime time and daytime account for the bulk of VCR recording, with about 40% and 30%, respectively. Prime-time recording is generally highest during November and February (sweep months), but during the summer, when the networks air mostly repeats, Monday-Friday daytime accounts for more recording time as the soaps continue their slow but heavy pace.
- Network affiliates represent about 70% of all recording.

Nielsen is holding industry-wide meetings to determine precisely how to incorporate VCR playback into its reported ratings. Many of the issues surrounding playback measurement are not very complicated and are easily resolved. The basic question of what constitutes playback is not so easy.

The problem can be summarized with the following question: Who's responsibility is it to keep the viewer tuned in during commercials — the networks/stations, or the advertisers/agencies? In other words, should advertisers pay for the advertising based on ratings that include non-commercial programing (if all or most of the commercials in a given program are fast-forwarded)? On the other hand, should the networks be penalized for commercial execution that might result in more fast-forwarding?

As we pointed out, the medium is still the message. People fast forward because they are able to — program or commercial content, we believe, are not the cause. If a new technology emerges that alters audience behavior toward a medium, it is the responsibility of that medium to adjust and ensure that advertisers are still getting what they pay for — potential commercial exposure. Audience measurement services, whose function is, essentially, providing data to all parties to facilitate the buying and selling of commercial time, have that same responsibility.

BJKE reiterates its proposal for measuring VCR playback (see "Suggestion," pg. 84). The percentage of playback as viewing should be equal to the percentage of commercial time not fast-forwarded.

Obviously, this issue will require some compromise if it is to be resolved before next season. As with most com-

Chart VI

VCR USAGE BY QUINTILE (February 1987)

24 Hr. VCR Usage	%	% of 24 Hr. VCR Usage	% of Play	% of Record
1. Heavy	20%	55%	52%	60%
Top Half	10%	35%	33%	38%
Bottom Half	10%	20%	19%	22%
2. Medium-Heavy	20%	25%	25%	24%
3. Medium	20%	13%	15%	11%
4. Medium-Light	20%	6%	7%	4%
5. Light	20%	1%	1%	1%
	100%	100%	100%	100%

Source: Nielsen

A SUGGESTION

Bozell, Jacobs, Kenyon & Eckhardt proposed methodology for measuring VCR playback

(A) Program rating w/o VCR activity	100
(B) Playback w/o fast-forwarding	06
(C) Percent commercial minutes not fast-forwarded	50%
(D) Reported playback (B×C)	03
(E) Final program rating (A+D)	103

promises, neither side is likely to be completely satisfied. But one thing is clear: Just as we've seen a leap forward toward reaching the "ideal" audience measurement with people meters, we will take another step forward next season with VCR measurement. ■

PLANNING

Michael Gross

Senior vice president, associate media director, J. Walter Thompson, New York

THE 10 COMMANDMENTS OF SUCCESSFUL PLANNING

In just about every advertising agency, the creative department goes to suppliers of stock photos. These photographic troves are a valuable resource containing pictures of every imaginable description.

Does the media department have a similar resource? Of course not. After all, media planners are like snowflakes: Each one is totally unique. They are always composed via a zero-based approach with a goal of maximizing effectiveness and efficiency. In addition to this, planners are constantly on the lookout for ways of bringing added value and an enhanced uniqueness to their recommendations. Therefore, how can there possibly be something like an "off-the-shelf," "stock" media plan? The concept makes no sense...or does it?

The fact is, many of our plans are of the stock variety. They may not start out that way, but once they begin to make the rounds of account groups and clients, they mysteriously begin to take on a certain sameness. To those of us who are veterans of this annual ritual, it becomes painfully apparent that approved plans follow certain unwritten guidelines that seem to be impressed upon the genes of many account and client types. (Disclaimer: None of what I'm about to describe is typical of my clients or account groups. These are descriptions of the clients and account teams of *other* advertising agencies!)

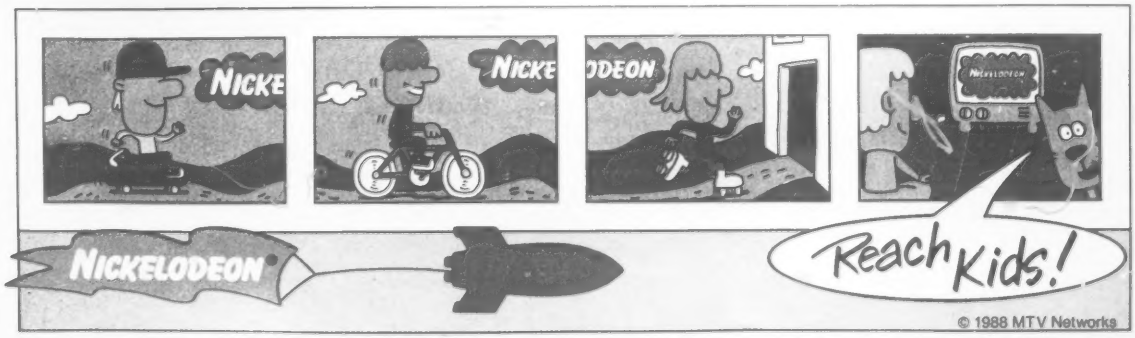
Without too much difficulty, one could set up a road map that can smoothly guide a planner through just about any planning season. Since the competence of the media group (as perceived by the client) may be directly proportional to the number of revisions it takes to ultimately get to the client's vision of what the plan should look like in the first place, the idea is to know these rules. If one has been around long enough, one learns the tricks that lead to the path of least resisitance. With my apologies to King James and Moses, let's call these rules the Ten Commandments of Planning.

The First Commandment: *Thou shall always have an impactful level of prime time.*

The first thing to do in almost all plans that use tv is to figure out how much prime time is affordable. Plan for the maximum amount that seems to make sense. This means one must try for as many weekly rating points and as many weeks as possible. If a reasonable amount of continuity is not affordable, load up as much prime as is humanly possible during the first quarter or quarter of peak seasonality. What is a decent level of weekly points? While that is dependent on the budget, two announcements a week seems to be the minimally acceptable level (one spot per week in case of emergency). Try for at least four spots a week. That will eat up a good deal of money, but remember prime provides "national broad coverage" in a "quality environment," something every product manager needs.

The Second Commandment: *Thou shalt avoid having too much daytime.*

If your target has a female component, the efficiency of daytime will probably force a serious investigation of this daypart. After all, it can "efficiently deliver a base of continuity and frequency." Clients accept the fact that daytime should be there, but they hate using it. Daytime is filled with



ECONOMIC EYE

CABLE'S REACH

Nielsen puts cable penetration at 53.8% as of November 1988. Seven of the top 20 tv-household DMAs meet or top that: Philadelphia (55.9%); San Fran Oakland San Jose (57.5%); Boston (63.5%); Tampa St. Pete (57.6%); Seattle Tacoma (60.1%); Miami Ft. Lauderdale (56.0%); and Pittsburgh (66.5%).

MAGAZINE AD SCORECARD

	Ad pages Nov. 1988	% change from Nov. 1987	Dollars spent (000)	% change from Nov. 1987
1. Skin care, Creams, Lotions and Oils	192.52	+10.2	8,465.0	+34.9
2. Lip and Eye Beauty Products	93.69	+6.4	3,884.7	+19.6
3. Scents and Fragrances	365.57	+10.3	10,542.3	+12.1
4. Facial Makeup Products	99.78	+3.5	4,340.8	+41.6
5. Prepared dinners and Entrees (including pizzas)	60.23	+25.9	3,624.9	+48.5
6. Liquor	525.28	−20.3	21,342.6	−20.5
7. Cigarettes	696.58	+17.6	38,743.5	+28.9
8. Soaps and Detergents	23.94	−50.1	1,278.0	−57.4
9. Passenger Cars, Domestic	617.75	+9.3	32,317.5	+6.7
10. Passenger Cars, Imported	682.58	+21.3	33,373.6	+20.1

Source: Publishers Information Bureau as prepared by Leading National Advertisers.

MEDIA COST INDEX

1985 = 100 ◄ 1988 ►

	Feb.	% change	March	% change	April	% change	May	% change	June	% change	July	% change	Aug.	% change	Sept.	% change
Network TV																
Daytime	80	−7	82	−7	78	−15	76	−18	73	−22	81	−17	73	−14	146	+60
Nighttime	148	+41	113	+13	99	−0	110	−0	122	+8	110	+0.3	118	+4	118	+11
Spot TV																
Prime time	130	−2	115	−12	125	−9	126	−8	125	−4	–	–	125	−8	141	+14
Daytime	108	±0	98	−9	95	−18	103	−13	93	−10	–	–	100	−14	107	+4
Network radio	129	−7	121	−4	116	+0	116	+2	116	+2	102	−0.5	111	+6	112	+5
Spot radio	106	+3			–	–	101	+3	–	–	–	–	–	–	105	+2
Consumer magazines	115	+5	115	+4	115	+5	115	+5	115	+5	115	+5	114	+5	116	+6
Natl. Sunday mags	116	+13	116	+13	116	+13	116	+13	116	+13	116	+13	128	+14	130	+10
Business publications	117	+5	117	+5	117	+5	117	+5	117	+5	117	+5	117	+5	118	+6
Newspapers	124	+7	124*	+7	124	+7	124	+7	124	+7	124	+7	124	+7	123	+7
Outdoor	123	+11	123	+11	123	+8	123	+8	123	+8	123	+8	123	+8	123	+8

Notes: Percentage shown is relative change from the same month/period the year before.
*Revised

Sources:

Nighttime Network TV—Cost per average 30-second spot, 7:30-11 p.m. Monday-Saturday and 7-11 p.m. Sunday from Broadcast Advertisers Reports' (BAR) Network TV Service.

Daytime Network TV—Cost per average 30-second spot, 10 a.m.-4:30 p.m. Monday-Friday from BAR's Network TV Service.

Network Radio—Cost per average 30-second radio announcement from BAR's Network Radio Service.

Consumer Magazines estimate based on reported SRDS cost of a page, four-color in 40 national consumer magazines, as reported by Magazine Publishers Assn.

National Sunday Mags estimate based on published (rate cards) costs of a page, four-color in the national entries.

Daily Newspapers estimate based on Newspaper Advertising Bureau report of SRDS costs per column inch of a sample of 784 newspapers weighted to represent the universe.

Outdoor Posters based on estimate prepared by Institute of Outdoor Advertising.

Spot Radio index represents cost of a 60-second spot in the top 100 markets from data supplied to Radio Expenditure Reports by major radio representatives.

Business Publications estimate based on reported SRDS cost of a page, four-color in 48 publications representing 42 business and professional classifications.

NOTE

Some charts and graphs were color-coded in the original document. While it has not been possible to reproduce these items in color, their equivalent values on the black-and-white scale are often distinct enough to convey the same information as the original colors.

Congressional Information Service,
Washington, D.C.